Ebro

REPORT BY THE BOARD OF DIRECTORS ON THE PROPOSED AUTHORISATION TO SELL THE PANZANI DRY PASTA, SEMOLINA, COUSCOUS AND SAUCES BUSINESS, INCLUDED IN ITEM ONE ON THE AGENDA

1. Introduction

The Board of Directors of Ebro Foods, S.A. (the "**Company**"), resolved unanimously on 27 October to sell the Panzani® dry pasta, semolina, couscous and sauces businesses to a French investment vehicle indirectly majority owned by fund managed by CVC Capital Partners VIII Limited or any of its affiliates (the "**Transaction**"). This transaction will be made by selling 100% of the capital of the subsidiary Panzani SAS, after spinning off other businesses that are not to be included in the sale and will be retained by the Ebro Foods Group.

At the date of issuing this Report, the Transaction is pending fulfilment of several conditions precedent: (i) completion of the carve-out of Panzani businesses that would not be included in the sale (the fresh pasta and rice businesses and certain real estate assets), (ii) the approval of the Transaction by the Anti-trust Authorities and the French Ministry of Economy and Finance, and (iii) approval of the Transaction by the company's shareholders at a general meeting, since regardless of the value of the transaction, it involves an essential asset pursuant to section 160(f) Corporate Enterprises Act ("LSC").

2. Purpose of the Report

The Board of Directors issues this Report prior to the Extraordinary General Meeting of Shareholders of the company, scheduled for 15 December 2021 on first call and 16 December 2021 on second call, to explain the Transaction to the shareholders and inform them of its assessment thereof, with a view to enabling the shareholders to reach a decision on its approval.

This Report will be published on the corporate website www.ebrofoods.es and will be accessible by the company's shareholders from the date of call to the Extraordinary General Meeting at which approval of the Transaction is to be tabled.

3. Regulatory aspects. Essential assets involved in the transaction

Section 160(f) LSC provides as follows: "*The general meeting shall discuss and resolve on …/… the acquisition, disposal or contribution to another company of essential assets. An asset is presumed essential when the amount of the transaction exceeds twenty-five per cent of the value of assets reported on the last approved balance sheet.*"

As mentioned in point 4 below, the Transaction will be made through the sale of 100% of the capital of the French subsidiary Panzani SAS, after spinning off from that subsidiary the fresh pasta and rice businesses and certain real estate assets, which would be retained by the Group.

In the opinion of the Board, respecting the most absolute caution and transparency and in line with the best corporate governance practices, the Transaction is especially important so it must be laid before the general meeting for approval. In this regard, irrespective of whether the amount of the Transaction exceeds the threshold stipulated in section 160(f) LSC, the fact is that the Panzani dry pasta, semolina, couscous and sauces businesses that would be sold represent a major part of the Group's business, particularly in the dry pasta business segment. Furthermore, following our divestments from the dry pasta businesses in the USA and Canada, the businesses contemplated in the Transaction are the last significant assets the Group has in the dry pasta business (apart from the Garofalo premium line), so upon conclusion of this transaction the Group would have practically withdrawn from that business.

4. Explanation of the transaction and recommendation by the Board of Directors

On 26 July 2021 the company sent the National Securities Market Commission a notification of inside information registered under number 1001, in which it informed the market of the Transaction.

As then informed, the Transaction would be made through the sale of 100% of the capital of the French subsidiary Panzani SAS, after previously spinning off the fresh pasta and rice businesses and other real estate assets, which would be retained by the Ebro Group. The carve-out of those businesses would involve relocating them in different current subsidiaries of Panzani that would be transferred to the Group, such that the Ebro Group would keep them after the sale of capital of Panzani.

So at the time of making the sale, Panzani would be the sole owner of the businesses to be sold (Panzani® dry pasta, semolina, couscous and sauces).

The Transaction includes the brands Panzani®, Ferrero®, Regia®, Zakia® and Le Renard®, the Vitrolles, La Montre and Nanterre plants and the Gennevilliers, St. Just and "Littoral" mills, as well as the employees of those businesses (approximately 750 workers).

The business to be transferred posted net sales of EUR 470 million and an adjusted operating profit (before depreciation, amortisation and non-recurring income/expense) of EUR 57 million in 2020.

The Transaction value is EUR 550 million (value of 100% of the businesses sold, i.e. before any possible adjustment for debt and working capital). According to common practice in this type of transactions, the contract of sale contemplates adjustments of net cash and working capital at the transaction date (*closing date*), based on which the final price/cash out to be received for the sale will be automatically determined after the closing date of the Transaction. In this respect, according to the contract of sale, the buyer will, on the closing date, pay the seller a given sum on account of the final price, calculated on the basis of the Transaction value and reflecting the best possible estimate of the adjustments to be made for net cash and working capital. The corresponding adjustments will be made later, in view of the final figures for net cash and working capital at the closing date.

Apart from approval of the Transaction by the General Meeting of Shareholders of Ebro Foods, S.A. and the carve-out of the assets and businesses not sold, conclusion of the Transaction is subject to meeting other conditions, in particular, authorisation by the EU antitrust authorities and by the French Ministry of Economy and Finance. At the time when this report is being issued those conditions precedent are pending to be fulfilled, without prejudice that any or both of them may have been satisfied at the time of the General Shareholders Meeting is held.

In view of the foregoing, provided the Transaction is approved at the General Meeting and the other conditions precedent are satisfied within the currently estimated terms, it is expected that the Transaction will be concluded before the end of 2021.

In addition and in keeping with common practice in this type of transactions, the contract of sale establishes the seller’s liability for any future contingencies that may arise in the businesses sold due to circumstances existing prior to the Transaction date. Within that procedure and as is also common in this type of transactions, quantitative and time limits are established on the seller’s potential liability.

From a financial and accounting point of view, conclusion of the Transaction is expected to generate a gross gain of EUR 91 million for the Ebro Foods Group.

This Transaction would enable the Ebro Foods Group to continue concentrating its resources in building up its premium, fresh pasta and convenience businesses, in which it is a global leader. Consequently, after pulling out of the dry pasta businesses in the United States and Canada, the Ebro Group would be focusing on the businesses in which, in our opinion and on account of its leadership, it would be able to continue creating long-term value in markets with high profit expectations.

The resources obtained from the divestment would be applied both to remunerating shareholders (hence the dividend proposal included on the agenda for the Extraordinary General Meeting at which approval of the Transaction is to be sought) and to reinforcing the Group’s sound financial position, which will further guarantee the sustainability of our investments and adequate shareholder returns in coming years.

In view of all the foregoing, the Board of Directors of the Company unanimously recommends the General Meeting to approve the Transaction.

5. Resolution proposed by the Board to be tabled at the General Meeting

The Board of Directors has unanimously resolved to table the following proposed resolution at the General Meeting:

“*Approval, pursuant to section 160(f) of the Corporate Enterprises Act, of the sale of the Panzani dry pasta, semolina, couscous and sauces business.*

To approve, pursuant to section 160(f) of the Corporate Enterprises Act, the sale of the Panzani dry pasta, semolina, couscous and sauces business, which includes the pre-sale *restructuring operations, on the terms established in the directors' report approved by the Board on 24 November 2021.*

That report, which describes the principal terms and conditions of the sale transaction and pre-sale operations, and sets out the Board's comments on the opportunity, has been published on the corporate website www.ebrofoods.es, accessible by shareholders from the date of publication of the notice of call.

And in this regard, to instruct the Board to take whatsoever actions may be necessary or purely convenient to conclude the transaction."

In Madrid, on 24 November 2021.